



# Department of Justice

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**JUSTICE DEPARTMENT FILES ANTITRUST SUIT  
AND CONSENT DECREE IN AT&T-MCCAW MERGER**

WASHINGTON, D.C. -- The Justice Department today reached a settlement clearing the way for the merger of the nation's largest long distance telephone company and largest cellular carrier, making it possible for millions of cellular telephone customers to pay lower prices and receive better service.

The Department said it would permit AT&T Corp. to purchase McCaw Cellular Communications Inc. if:

- McCaw provides competing long distance carriers with equal access to its cellular systems, thus enabling consumers to choose a long distance carrier for cellular calls.
- AT&T adopts procedures that will ensure that AT&T's cellular equipment customers, which often compete head to head against McCaw, will not be disadvantaged.

The Department's Antitrust Division filed a suit in U.S. District Court in Washington challenging the proposed acquisition, saying it would harm competition in the cellular service, interexchange and equipment markets. The integration of

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AT&T's substantial long distance and equipment businesses with McCaw's strong cellular service position would have given the combined company an unfair advantage over competitors in all three markets, according to the suit.

Today's proposed consent decree would remedy the transaction's anticompetitive effects, and if approved by the court, would settle the suit, the Division said.

"Today we take a major step toward bringing the benefits of competition to millions of consumers of cellular telephone service, one of the fastest growing segments of the telecommunications industry. Equal access will help lower cellular phone bills, just as it has helped lower long distance rates for regular telephone service," Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said today.

The Department also will file papers in support of AT&T's motion for a waiver of certain decree restrictions with Judge Harold H. Greene, who supervises the 1982 Bell System divestiture decree. The waiver would permit AT&T to acquire McCaw's interests in certain cellular systems controlled by Bell operating companies. It contains conditions to protect equal access to those systems.

AT&T, headquartered in Basking Ridge, New Jersey, is the nation's largest long distance carrier and manufacturer of telecommunications equipment. Its 1993 revenues were \$67 billion. McCaw, based in Kirkland, Washington, is the largest

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cellular carrier in the country, with 1993 revenues of \$2.2 billion.

McCaw's cellular service competitors own and operate AT&T base stations, switching and radio equipment. Switching equipment is used to connect one caller to another. The proposed decree addresses concerns that AT&T would be able to disadvantage these locked-in competitors in various ways and harm competition in cellular service.

The decree establishes procedures to prevent AT&T and McCaw from misusing confidential information obtained from AT&T's equipment customers or McCaw's equipment suppliers. It also ensures that AT&T customers that compete with McCaw will continue to have access to necessary products and services supplied by AT&T, and that AT&T will not interfere with its customers' ability to change equipment suppliers.

If the Department concludes that AT&T has not met these obligations, it could require AT&T to buy cellular equipment back from its cellular service provider customers, such as the regional Bell operating companies.

The proposed decree also requires certain separations of personnel between AT&T and McCaw, including marketing and development, to guard against discriminatory conduct and to make the other injunctions more effective.

Bingaman said, "Competition is one of the fundamental principles on which the information superhighway will be built.

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This proposed consent decree takes the proven success of equal access and assures that wireless customers will obtain the benefits that ordinary telephone consumers have enjoyed for many years."

The Department also took steps to assure that the merger of AT&T and McCaw will not impair the equal access already provided by certain cellular systems controlled by Bell operating companies in which McCaw holds ownership interests.

Bingaman also noted that this is the third significant vertical merger case brought by the Antitrust Division in the last few months. The earlier challenges involved last month's case against British Telecom's investment in MCI Corporation and an earlier case against TCI and Liberty Media. Both cases were settled with consent decrees.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, with the Department's competitive impact statement. Any person may comment on the decree by submitting comments to the Department. After 60 days, the United States will reply to any public comments and seek entry of the decree by the court.

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